

106TH CONGRESS
2D SESSION

S. 2591

To amend the Internal Revenue Code of 1986 to allow tax credits for alternative fuel vehicles and retail sale of alternative fuels, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 18, 2000

Mr. JEFFORDS (for himself, Mr. HATCH, Mr. ROCKEFELLER, Mr. ROBB, Mr. L. CHAFEE, Mr. BRYAN, and Mr. KERRY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow tax credits for alternative fuel vehicles and retail sale of alternative fuels, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Alternative Fuels Tax
5 Incentives Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1)(A) Since 1994, the United States has im-
9 ported over half its oil.

1 (B) Without efforts to mitigate this dependence
2 on foreign oil, the percentage of oil imported is ex-
3 pected to grow to all-time highs.

4 (C) This reliance on foreign oil presents a na-
5 tional security risk, which Congress should address
6 through policy changes designed to increase the use
7 of domestically-available alternative transportation
8 fuels.

9 (2)(A) The importing of a majority of the oil
10 used in the United States contributes negatively to
11 the balance of trade of the United States.

12 (B) Assuring the Nation's economic security de-
13 mands the development and promotion of domesti-
14 cally-available alternative transportation fuels.

15 (3) More widespread use of alternative-fuels ve-
16 hicles will help alleviate any adverse environmental
17 consequences that may result from the Nation's de-
18 pendence on oil as a transportation fuel.

19 (4) In order to encourage the purchase of alter-
20 native fuel vehicles by individuals and businesses,
21 the installation of alternative fueling infrastructure
22 by fuel suppliers, and the use of alternative fuels in
23 business and personal transportation, tax credits are
24 temporarily needed to make buying and operating al-

1 ternative fuels vehicles economically viable compared
2 with conventional fuel vehicles.

3 (5)(A) In the short-term, United States alter-
4 native fuel policy must be made fuel neutral.

5 (B) Fuel neutrality will foster private innova-
6 tion and commercialization using the most techno-
7 logically feasible and economic fuels available.

8 (C) This will allow market forces to decide the
9 alternative fuel winners and losers.

10 **SEC. 3. CREDIT FOR ALTERNATIVE FUEL VEHICLES.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-
12 chapter A of chapter 1 of the Internal Revenue Code of
13 1986 (relating to foreign tax credit, etc.) is amended by
14 inserting after section 30A the following:

15 **“SEC. 30B. CREDIT FOR ALTERNATIVE FUEL VEHICLES.**

16 “(a) ALLOWANCE OF CREDIT.—There shall be al-
17 lowed as a credit against the tax imposed by this chapter
18 an amount equal to the applicable percentage of the incre-
19 mental cost of any qualified alternative fuel motor vehicle
20 placed in service by the taxpayer during the taxable year.

21 “(b) APPLICABLE PERCENTAGE.—For purposes of
22 subsection (a), the applicable percentage with respect to
23 any qualified alternative fuel motor vehicle is—

24 “(1) 50 percent, plus

25 “(2) 35 percent, if such vehicle—

1 “(A) has a gross weight vehicle rating of
2 less than 14,000 pounds, and

3 “(i) has received a certificate of con-
4 formity under the Clean Air Act and meets
5 or exceeds the most stringent standard
6 available for certification under the Clean
7 Air Act for that make and model year vehi-
8 cle (other than a zero emission standard),
9 or

10 “(ii) has received an order certifying
11 the vehicle for sale in California and meets
12 or exceeds the most stringent standard
13 available for certification under the laws of
14 the State of California for that make and
15 model year vehicle (other than a zero emis-
16 sion standard), or

17 “(B) has a gross weight vehicle rating of
18 14,000 or more pounds, and

19 “(i) has received a certificate of con-
20 formity under the Clean Air Act at emis-
21 sions levels that are not more than 50 per-
22 cent of the standard applicable to a vehicle
23 of that make and model year, or

24 “(ii) has received an order certifying
25 the vehicle for sale in California at emis-

1 sions levels that are not more than 50 per-
2 cent of the standard applicable under the
3 laws of the State of California to a vehicle
4 of that make and model year.

5 “(c) INCREMENTAL COST.—For purposes of this sec-
6 tion, the incremental cost of any qualified alternative fuel
7 motor vehicle is equal to the amount of the excess of the
8 manufacturer’s suggested retail price for such vehicle over
9 such price for a gasoline or diesel fuel motor vehicle of
10 the same model, to the extent such amount does not
11 exceed—

12 “(1) \$5,000, if such vehicle has a gross vehicle
13 weight rating of not more than 8,500 pounds,

14 “(2) \$10,000, if such vehicle has a gross vehicle
15 weight rating of more than 8,500 pounds but not
16 more than 14,000 pounds,

17 “(3) \$25,000, if such vehicle has a gross vehicle
18 weight rating of more than 14,000 pounds but not
19 more than 26,000 pounds, and

20 “(4) \$50,000, if such vehicle has a gross vehicle
21 weight rating of more than 26,000 pounds.

22 “(d) QUALIFIED ALTERNATIVE FUEL MOTOR VEHI-
23 CLE DEFINED.—For purposes of this section, the term
24 ‘qualified alternative fuel motor vehicle’ means any motor
25 vehicle—

1 “(1) which is only capable of operating on an
2 alternative fuel,

3 “(2) the original use of which commences with
4 the taxpayer, and

5 “(3) which is acquired by the taxpayer for use
6 or to lease, but not for resale.

7 “(e) APPLICATION WITH OTHER CREDITS.—The
8 credit allowed under subsection (a) for any taxable year
9 shall not exceed the excess (if any) of—

10 “(1) the regular tax for the taxable year re-
11 duced by the sum of the credits allowable under sub-
12 part A and sections 27, 29, and 30, over

13 “(2) the tentative minimum tax for the taxable
14 year.

15 “(f) OTHER DEFINITIONS AND SPECIAL RULES.—
16 For purposes of this section—

17 “(1) ALTERNATIVE FUEL.—The term ‘alter-
18 native fuel’ means compressed natural gas, liquefied
19 natural gas, liquefied petroleum gas, hydrogen, and
20 any liquid at least 85 percent of the volume of which
21 consists of methanol.

22 “(2) MOTOR VEHICLE.—The term ‘motor vehi-
23 cle’ has the meaning given such term by section
24 30(c)(2).

1 “(3) REDUCTION IN BASIS.—For purposes of
2 this subtitle, the basis of any property for which a
3 credit is allowable under subsection (a) shall be re-
4 duced by the amount of such credit so allowed (de-
5 termined without regard to subsection (e)).

6 “(4) NO DOUBLE BENEFIT.—The amount of
7 any deduction or credit allowable under this chapter
8 for any incremental cost taken into account in com-
9 puting the amount of the credit determined under
10 subsection (a) shall be reduced by the amount of
11 such credit attributable to such cost.

12 “(5) LEASED VEHICLES.—No credit shall be al-
13 lowed under subsection (a) with respect to a leased
14 motor vehicle unless the lease documents clearly dis-
15 close to the lessee the specific amount of any credit
16 otherwise allowable to the lessor under subsection
17 (a).

18 “(6) RECAPTURE.—The Secretary shall, by reg-
19 ulations, provide for recapturing the benefit of any
20 credit allowable under subsection (a) with respect to
21 any property which ceases to be property eligible for
22 such credit.

23 “(7) PROPERTY USED OUTSIDE UNITED
24 STATES, ETC., NOT QUALIFIED.—No credit shall be
25 allowed under subsection (a) with respect to any

1 property referred to in section 50(b) or with respect
 2 to the portion of the cost of any property taken into
 3 account under section 179.

4 “(8) ELECTION TO NOT TAKE CREDIT.—No
 5 credit shall be allowed under subsection (a) for any
 6 vehicle if the taxpayer elects to not have this section
 7 apply to such vehicle.

8 “(g) TERMINATION.—This section shall not apply to
 9 any property placed in service after December 31, 2007.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 1016(a) of the Internal Revenue
 12 Code of 1986 is amended by striking “and” at the
 13 end of paragraph (26), by striking the period at the
 14 end of paragraph (27) and inserting “, and”, and by
 15 adding at the end the following:

16 “(28) to the extent provided in section
 17 30B(f)(3).”.

18 (2) Section 53(d)(1)(B)(iii) of such Code is
 19 amended by inserting “, or not allowed under section
 20 30B solely by reason of the application of section
 21 30B(e)(2)” before the period.

22 (3) Section 55(c)(2) of such Code is amended
 23 by inserting “30B(e),” after “30(b)(3)”.

24 (4) Section 6501(m) is amended by inserting
 25 “30B(f)(8),” after “30(d)(4),”.

1 (5) The table of sections for subpart B of part
 2 IV of subchapter A of chapter 1 of such Code is
 3 amended by inserting after the item relating to sec-
 4 tion 30A the following:

“Sec. 30B. Credit for alternative fuel vehicles.”.

5 (e) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to property placed in service after
 7 December 31, 2000, in taxable years ending after such
 8 date.

9 **SEC. 4. MODIFICATION OF CREDIT FOR QUALIFIED ELEC-**
 10 **TRIC VEHICLES.**

11 (a) AMOUNT OF CREDIT.—

12 (1) IN GENERAL.—Section 30(a) of the Internal
 13 Revenue Code of 1986 (relating to allowance of
 14 credit) is amended by striking “10 percent of”.

15 (2) LIMITATION OF CREDIT ACCORDING TO
 16 TYPE OF VEHICLE.—Section 30(b) of such Code (re-
 17 lating to limitations) is amended—

18 (A) by striking paragraphs (1) and (2) and
 19 inserting the following new paragraph:

20 “(1) LIMITATION ACCORDING TO TYPE OF VE-
 21 HICLE.—The amount of the credit allowed under
 22 subsection (a) for any vehicle shall not exceed the
 23 greatest of the following amounts applicable to such
 24 vehicle:

1 “(A) In the case of a vehicle with a rated
2 top speed not exceeding 50 miles per hour, the
3 lesser of—

4 “(i) 10 percent of the cost of the vehi-
5 cle, or

6 “(ii) \$4,250.

7 “(B) In the case of a vehicle with a gross
8 vehicle weight rating not exceeding 8,500
9 pounds and a rated top speed exceeding 50
10 miles per hour, \$4,250.

11 “(C) In the case of a vehicle capable of a
12 driving range of at least 100 miles on a single
13 charge of the vehicle’s rechargeable batteries
14 and measured pursuant to the urban dynamom-
15 eter schedules under appendix I to part 86 of
16 title 40, Code of Federal Regulations, \$6,375.

17 “(D) In the case of a vehicle capable of a
18 payload capacity of at least 1000 pounds,
19 \$6,375.

20 “(E) In the case of a vehicle with a gross
21 vehicle weight rating exceeding 8,500 but not
22 exceeding 14,000 pounds, \$8,500.

23 “(F) In the case of a vehicle with a gross
24 vehicle weight rating exceeding 14,000 but not
25 exceeding 26,000 pounds, \$21,250.

1 “(G) In the case of a vehicle with a gross
 2 vehicle weight rating exceeding 26,000 pounds,
 3 \$42,500.”, and

4 (B) by redesignating paragraph (3) as
 5 paragraph (2).

6 (3) CONFORMING AMENDMENTS.—

7 (A) Section 53(d)(1)(B)(iii) of such Code
 8 is amended by striking “section 30(b)(3)(B)”
 9 and inserting “section 30(b)(2)(B)”.

10 (3) Section 55(c)(2) of such Code is amended
 11 by striking “30(b)(3)” and inserting “30(b)(2)”.

12 (b) QUALIFIED ELECTRIC VEHICLE.—Section
 13 30(c)(1)(A) of the Internal Revenue Code of 1986 (defin-
 14 ing qualified electric vehicle) is amended to read as fol-
 15 lows:

16 “(A) which is powered primarily by an
 17 electric motor drawing current from recharge-
 18 able batteries, fuel cells which generate elec-
 19 trical current from an alternative fuel (as de-
 20 fined in section 30B(f)(1)), or other portable
 21 sources of electrical current generated on board
 22 the vehicle from an alternative fuel (as so de-
 23 fined),”.

24 (c) ADDITIONAL SPECIAL RULES.—Section 30(d) of
 25 the Internal Revenue Code of 1986 (relating to special

1 rules) is amended by adding at the end the following new
2 paragraphs:

3 “(5) NO DOUBLE BENEFIT.—The amount of
4 any deduction or credit allowable under this chapter
5 for any cost taken into account in computing the
6 amount of the credit determined under subsection
7 (a) shall be reduced by the amount of such credit at-
8 tributable to such cost.

9 “(6) LEASED VEHICLES.—No credit shall be al-
10 lowed under subsection (a) with respect to a leased
11 motor vehicle unless the lease documents clearly dis-
12 close to the lessee the specific amount of any credit
13 otherwise allowable to the lessor under subsection
14 (a).”.

15 (d) EXTENSION.—Section 30(e) of the Internal Rev-
16 enue Code of 1986 (relating to termination) is amended
17 by striking “2004” and inserting “2007”.

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to property placed in service after
20 December 31, 2000, in taxable years ending after such
21 date.

22 **SEC. 5. CREDIT FOR RETAIL SALE OF ALTERNATIVE FUELS**
23 **AS MOTOR VEHICLE FUEL.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by
 2 inserting after section 40 the following:

3 **“SEC. 40A. CREDIT FOR RETAIL SALE OF ALTERNATIVE**
 4 **FUELS AS MOTOR VEHICLE FUEL.**

5 “(a) GENERAL RULE.—For purposes of section 38,
 6 the alternative fuel retail sales credit of any taxpayer for
 7 any taxable year is 25 cents for each gasoline gallon equiv-
 8 alent of alternative fuel sold at retail by the taxpayer dur-
 9 ing such year as a fuel to propel any qualified motor vehi-
 10 cle.

11 “(b) DEFINITIONS.—For purposes of this section—

12 “(1) ALTERNATIVE FUEL.—The term ‘alter-
 13 native fuel’ means compressed natural gas, liquefied
 14 natural gas, liquefied petroleum gas, hydrogen, and
 15 any liquid at least 85 percent of the volume of which
 16 consists of methanol.

17 “(2) GASOLINE GALLON EQUIVALENT.—The
 18 term ‘gasoline gallon equivalent’ means, with respect
 19 to any alternative fuel, the amount (determined by
 20 the Secretary) of such fuel having a Btu content of
 21 114,000.

22 “(3) QUALIFIED MOTOR VEHICLE.—The term
 23 ‘qualified motor vehicle’ means any motor vehicle (as
 24 defined in section 179A(e)(2)) which meets any ap-
 25 plicable Federal or State emissions standards with

1 respect to each fuel by which such vehicle is de-
2 signed to be propelled.

3 “(4) SOLD AT RETAIL.—

4 “(A) IN GENERAL.—The term ‘sold at re-
5 tail’ means the sale, for a purpose other than
6 resale, after manufacture, production, or impor-
7 tation.

8 “(B) USE TREATED AS SALE.—If any per-
9 son uses alternative fuel as a fuel to propel any
10 qualified motor vehicle (including any use after
11 importation) before such fuel is sold at retail,
12 then such use shall be treated in the same man-
13 ner as if such fuel were sold at retail as a fuel
14 to propel such a vehicle by such person.

15 “(c) NO DOUBLE BENEFIT.—The amount of any de-
16 duction or credit allowable under this chapter for any fuel
17 taken into account in computing the amount of the credit
18 determined under subsection (a) shall be reduced by the
19 amount of such credit attributable to such fuel.

20 “(d) PASS-THRU IN THE CASE OF ESTATES AND
21 TRUSTS.—Under regulations prescribed by the Secretary,
22 rules similar to the rules of subsection (d) of section 52
23 shall apply.

24 “(e) TERMINATION.—This section shall not apply to
25 any fuel sold at retail after December 31, 2007.”.

1 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
 2 tion 38(b) of the Internal Revenue Code of 1986 (relating
 3 to current year business credit) is amended by striking
 4 “plus” at the end of paragraph (11), by striking the period
 5 at the end of paragraph (12) and inserting “, plus”, and
 6 by adding at the end the following:

7 “(13) the alternative fuel retail sales credit de-
 8 termined under section 40A(a).”.

9 (c) TRANSITIONAL RULE.—Section 39(d) of the In-
 10 ternal Revenue Code of 1986 (relating to transitional
 11 rules) is amended by adding at the end the following:

12 “(9) NO CARRYBACK OF SECTION 40A CREDIT
 13 BEFORE EFFECTIVE DATE.—No portion of the un-
 14 used business credit for any taxable year which is
 15 attributable to the alternative fuel retail sales credit
 16 determined under section 40A(a) may be carried
 17 back to a taxable year ending before January 1,
 18 2001.”.

19 (d) CLERICAL AMENDMENT.—The table of sections
 20 for subpart D of part IV of subchapter A of chapter 1
 21 of the Internal Revenue Code of 1986 is amended by in-
 22 serting after the item relating to section 40 the following:

“Sec. 40A. Credit for retail sale of alternative fuels as motor vehicle fuel.”.

23 (e) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to fuel sold at retail after Decem-
 25 ber 31, 2000, in taxable years ending after such date.

1 **SEC. 6. EXTENSION OF DEDUCTION FOR CERTAIN REFUEL-**
2 **ING PROPERTY.**

3 (a) **IN GENERAL.**—Section 179A(f) of the Internal
4 Revenue Code of 1986 (relating to termination) is amend-
5 ed by striking “2004” and inserting “2007”.

6 (b) **CONFORMING AMENDMENT.**—Section 179A(c) of
7 the Internal Revenue Code of 1986 (relating to qualified
8 clean-fuel vehicle property defined) is amended by striking
9 paragraph (3).

10 (c) **EFFECTIVE DATE.**—The amendments made by
11 this section shall apply to property placed in service after
12 December 31, 2000, in taxable years ending after such
13 date.

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